

HOUSING NEEDS IN RURAL COMMUNITIES



**AN UNWAVERING
PATH FORWARD TO
HOUSING JUSTICE**
NATIONAL LOW INCOME HOUSING COALITION

Today, far too many rural renters live in unaffordable, overcrowded, or substandard homes. Because of higher, more persistent levels of poverty, lower incomes, and increased costs associated with infrastructure needs, rural communities often struggle to provide decent, accessible, and affordable rental homes for its residents.

Despite the growing need, federal programs to invest in affordable housing in rural America have been chronically underfunded for decades. NLIHC urges Congress to increase resources to build and preserve affordable rental homes for people with the greatest needs living in rural areas, including the lowest-income seniors, people with disabilities, and families with children.

Declining Federal Investments

Rural renter households typically have lower incomes than their urban and suburban neighbors, with more than half of rural renters reporting an annual income of less than \$35,000 per year. Households in the US Department of Agriculture's (USDA's) Rental Assistance (RA) program have an average annual income of \$13,696, and most assisted units (67%) are occupied by individuals who are 62 years or older, or who have disabilities. Nearly half of all rural renters are housing cost burdened, spending more than half their income on housing, and Black and Hispanic rural communities are particularly affected.

USDA's Section 515 Rural Rental Housing Loan Program (Section 515) - once the principal source of financing of affordable rental homes in rural America - has been cut by more than 95% over the past few decades, limiting rural communities' ability to attract private-sector capital and other federal resources. Despite the growing need, there has been no new construction of rural rental homes under the Section 515 program since 2012. Congress should significantly expand Section 515 and the national Housing Trust Fund to build affordable, accessible rental homes for the lowest-income people in rural communities, and reform the Low-Income Housing Tax Credit so that it better serves rural areas.

Growing Unmet Preservation Needs

According to USDA, nearly \$5.6 billion is needed over the next 20 years to preserve the more than 470,000 rental homes in USDA's portfolio for current and future residents. Without these much-needed resources, rural communities may lose what is often their only source of affordable rental housing through disrepair and obsolescence. The longer Congress puts off these investments, the more expensive it will be to maintain these homes. Congress should significantly expand investments in Section 515 and the Multifamily Housing Preservation and Revitalization Program (MPR) to preserve affordable homes in rural areas. Congress should also permanently authorize MPR by enacting the Strategy and Investment in Rural Housing Preservation Act, introduced by Senators Shaheen (D-NH) and Smith (D-MN) as S.1490 in the 118th Congress and former Representative Cynthia Axne (D-IA) as H.R.1728 in the 117th Congress.

Affordability Challenges

In the coming years, rural communities will face even greater challenges to maintaining their supply of affordable rental homes as more properties reach maturity on USDA-financed development loans. When USDA loans reach maturity, property owners are no longer required to meet affordability standards; many may convert their properties to market-rate housing or stop operating the property altogether. USDA estimates that an average of 80 rental homes will be lost annually due to maturing mortgages between 2022 and 2028, and more than 550 rental homes will be lost each year between 2028 and 2040. Without a substantial increase in investment in MPR, 228,760 homes will be lost by 2050. Once the loan matures, low-income tenants living in the property are also no longer eligible for USDA rental assistance and must

spend more of their limited incomes on rent, putting them at increased risk of evictions and, in worst cases, homelessness.

Beyond increasing investments in Section 515 and MPR, Congress should enact the Rural Housing Service Reform Act (S.2790) from Senators Smith (D-MN), Rounds (R-SD), and Representatives Cleaver (D-MO) and Luetkemeyer (R-MO), which would ensure that low-income tenants can continue to receive the rental assistance they need when the property's mortgage matures. The bill would make several improvements to housing programs administered by the Rural Housing Service, including decoupling rental assistance from maturing mortgages and permanently authorizing MPR, among other important provisions.

Barriers to Disaster Recovery in Rural Communities

When disasters strike rural America, communities face significant barriers to rebuilding and long-term recovery efforts. Without adequate affordable rental housing supply in their area, rural families are often displaced hundreds of miles away from their homes, schools, and jobs after a disaster. Too many survivors struggle to access Federal Emergency Management Agency (FEMA) assistance after a disaster because FEMA programs are not designed to serve lower-income people, including people living in manufactured housing, which is common in rural communities, seniors, people with disabilities, and those who were experiencing homelessness before the disaster. Lower income households are consistently denied assistance due to unnecessary and often insurmountable administrative barriers.

Due to limited administrative capacity in their municipal governments in rural communities, FEMA is also less likely to provide these communities with the assistance needed to mitigate the worst impacts of disasters.

While the Community Development Block Grant-Disaster Recovery (CDBG-DR) program, HUD's long-term disaster recovery assistance program, can assist households with the greatest needs after FEMA recovery programs end, deployment of the program often takes too long. CDBG-DR program is not formally authorized, which means HUD must rewrite the rules of the program each time funds are approved by Congress. This creates significant delays in providing states and communities with the flexible resources needed to rebuild affordable housing and infrastructure after a disaster.

Congress should enact the Reforming Disaster Recovery Act, by Senators Brian Schatz (D-HI), Susan Collins (R-ME), and Representative Al Green (D-TX), to permanently authorize CDBG-DR and provide important safeguards and tools to ensure disaster recovery efforts reach all impacted households, including those with the greatest needs.

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